

shareholders' meeting two weeks later at which he himself caused the removal of RBI's board of directors. These are not events which would likely be forgotten or overlooked after a mere two weeks. So when Parker signed the November, 1991 315 two weeks after he had caused a new board of directors to be elected, it is impossible to believe that he somehow "inadvertently" failed to notice that his own new board, elected after being personally nominated by Parker himself two weeks earlier, was not so identified in the application.

48. And even if we could swallow RBI's "inadvertence" claim with respect to the November, 1991 315, what about the April, 1992 Ownership Report? By that time Parker's directors had been in place for some six months, and had already been "re-elected" just two months before the Ownership Report. How could Parker "inadvertently" fail to notice the omission from the Ownership Report of his hand-picked board members?

49. And again, a year later, RBI was required to file an Ownership Report. How could Parker "inadvertently" certify in 1993 that the 1992 Report was accurate?

50. While RBI dangles the "inadvertence" claim in its Opposition, RBI offers no support for it. The Opposition is devoid of any explanation, credible or otherwise, from anyone (especially Parker) who might be able to shed any first-hand light on the matter. If RBI seriously believed that RBI's repeated failure to disclose to the Commission such basic information as the identities of its directors was the result of "inadvertence", RBI should have explained how that could possibly have occurred, particularly under the highly unusual circumstances here. RBI's failure to offer any such explanation can and should be viewed as an acknowledgement that no such explanation exists.

***E. Contrary to the claims of RBI and the Bureau, RBI had substantial motive to mislead the Commission about RBI's misconduct in 1991-1992.***

51. In their respective Oppositions, RBI and the Bureau struthiously claim that they see no possible motive for Parker or RBI to have intentionally sought to mislead the Commission with respect to the obvious transfer of control which Parker effectuated in October, 1991. But in view of the facts as they have thus far been developed (including facts which were disclosed to Adams only in RBI's Opposition), the underlying motive is plain to see.

52. From the terms of the Partel Agreement, it is clear that Parker was planning on obtaining (a) immediate operational control of Station WTVE(TV) and, ultimately (b) substantial ownership of RBI. But Parker first became involved with RBI in the Spring, 1989, less than a year after the decisions in *Mt. Baker Broadcasting Co., Inc.*, 3 FCC Rcd 4777 (1988) and *Religious Broadcasting Network*, 3 FCC Rcd 4085, 4090 (Rev. Bd. 1988), in which Parker-related companies had been found to have engaged in fraud or deceit before the Commission. There is no indication that Parker disclosed these matters to RBI before they entered into the Partel Agreement; to the contrary, it appears from information which RBI submitted to the Bankruptcy Court that RBI viewed Parker as an acknowledged, experienced, reliable expert in broadcast regulatory matters. *See* Attachment L.

53. Thus, it is not surprising that RBI declined to notify the Commission of the Partel Agreement or Parker's election as an officer or director. Under the Partel Agreement any such reports to the Commission would presumably have been Parker's responsibility, and he could reasonably have been expected not to want to alert the Commission (and RBI's other principals) to the potential problems presented by the terms of the Partel Agreement or

his own past history before the Commission. <sup>14/</sup>

54. Parker's plan to acquire control of RBI through Partel started to derail as the original RBI principals' growing disenchantment with Parker and Partel led to the termination of the Partel Agreement in September, 1991. Faced with that development, Parker had to do something, fast, to get his plans back on track.

55. Accordingly, on October 15, 1991 he took it upon himself to issue more than 360,000 shares of RBI stock according to a formula which had not been approved by the Commission. That formula placed at least 53% of RBI's stock in the hands of "new" shareholders.

56. Parker had signed the August, 1991 316, which had clearly demonstrated an awareness of and sensitivity to the importance of the 50% stock ownership threshold. It is therefore unavoidable that Parker recognized the significance of the issuance of the October, 1991 stock. He must have recognized that the October, 1991 stock issuance constituted an unauthorized transfer of control.

57. Having issued the stock, Parker was faced with choices. He could have notified the Commission about the issuance of the stock, providing some explanation or other based on his supposed understanding of bankruptcy, corporate law, etc. He could then have asked the Commission for guidance on how to proceed. While perhaps unorthodox, such an approach might at least have signalled a good faith concern about compliance with the Commission's rules and policies.

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<sup>14/</sup> As to the latter point, when Parker's presence in RBI was first disclosed to the Commission in 1991, that was accomplished through an Ownership Report which did not include any reference to Parker's past misconduct. The first references to Parker's checkered past appear in the November, 1991 315 -- but as has already been established in this proceeding, the completeness and accuracy of those references is subject to serious question.

58. Parker did not take that approach.

59. Instead, two weeks after he issued the stock, Parker called a shareholders meeting, chaired that meeting, removed all of RBI's directors, and caused to be elected (through a vote of the stock which he had issued two weeks earlier) a new board of directors of his own choosing.

60. At this point Parker still could have notified the Commission of these developments and again asked for guidance as to how to proceed. While even more unorthodox, that, too, might arguably have indicated some good faith concern about compliance with the rules and policies (even if that approach would have been inconsistent with the Commission's Policy Statement on proxy fights).

61. Parker did not take that approach, either.

62. Instead, two weeks after the meeting he signed and filed with the Commission the November, 1991 315, which gave no indication of any of the events of September-October, 1991. To the contrary, the application was drafted to indicate that no changes at all had occurred since August, 1991, and that no changes would occur until the Commission were to approve that application. Since Parker had obviously been directly involved in all of the events of September-October, he cannot claim that he did not know about them or that he was unaware of their significance. The omission of any reference to those events must be deemed to have been intentional.

63. Parker's goal appears to have been to try to get the November, 1991 315 granted with a minimum of complications. A grant would at least provide Parker with the claim that the ownership structure established through his October, 1991 issuance of stock had been approved by the Commission, albeit months *after* that structure had been

implemented.<sup>15/</sup> With such an imprimatur from the Commission, Parker might then claim that anything that happened *before* the Commission acted was immaterial. In other words, the grant of the November, 1991 315 would be used as a wall behind which RBI and Parker could securely hide the unauthorized transfers which pre-dated that grant.

64. RBI would doubtless claim that this is all wildly speculative. But the record of this proceeding demonstrates that it is not. In July, 1999, the Presiding Judge sought comments on the relevant time period in question in this proceeding. RBI argued that the license period should be deemed to have started on March 12, 1992, when RBI supposedly consummated the transactions described in the November, 1991 315. RBI told the Presiding Judge that

when [RBI] emerged from bankruptcy, there was a greater than 50% change in ownership, requiring long-form approval of a Form 315 application. . . . [T]his change of control starts the clock on March 12, 1992, the date [RBI] completed its transfer of control.

RBI Prehearing Brief on Scope of Issues (filed July 22, 1999), at 8. Here, RBI was trying to keep the Presiding Judge from inquiring into matters preceding the Commission's grant of

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<sup>15/</sup> To alert the Commission to the fact that the transactions had already occurred would likely have created complications, and might have resulted in denial or designation of the application for hearing. While the Bureau seems to pooh-poo the notion that an unauthorized transfer of control may be a serious offence, *see* Bureau Opposition at 4, the Bureau forgets that the Commission's enforcement in that area was historically more stringent than may be the case today. During the period 1988-1993, the Commission had designated a number of stations for revocation hearings based on allegations of unauthorized transfer of control. *See, e.g., Silver Star Communications-Albany, Inc.*, 3 FCC Rcd 6342, 6355-56 (Rev. Bd. 1988); *Bee Broadcasting Associates*, 68 RR2d 885 (1990); *Pine Tree Media, Inc.*, 8 FCC Rcd 7591 (1993); . In one of those cases, the Review Board's concern was heightened by the fact that the person who had acquired control without prior approval happened to have been the subject of previous Commission proceedings regarding his qualifications. *Silver Star, supra*. In other words, it is reasonable to assume that, had the Commission found out that an unauthorized transfer of control had been effectuated by Parker, who had recently been found to have engaged in fraud and deceit upon the Commission, the Commission would have been reluctant to approve the transfer *ex post facto*. Parker thus had much incentive to withhold that information from the Commission in 1991-1992.

the November, 1991 315.

65. Adams, of course, took a different position, to which RBI responded in a "Reply to Preliminary Motion of Adams Communications Corporation" filed July 29, 1999. There RBI flatly stated, *inter alia*, that Parker

had no direct or indirect ownership interest in [RBI] before the conclusion of the company's reorganization in 1992.

\* \* \*

Parker only became a stockholder, with an equity interest (through Partel) of approximately 30%, after the company emerged from Chapter 11 in 1992. At that time, Partel and numerous other stockholders were added and the outstanding stock in the company went from 50,000 shares to 419,038 shares, requiring long-form approval of the FCC pursuant to an application on FCC Form 315. <sup>[\*]</sup>

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<sup>[\*]</sup> See 47 C.F.R. §73.3540. Had there not been a substantial change in ownership, the transfer of control application to emerge from Chapter 11 would have been a *pro forma* application on FCC Form 316.

RBI Reply at 3-4. Again, RBI was holding up the grant and supposed consummation pursuant thereto as a barrier beyond which no inquiry should be permitted.

66. We now know that RBI's factual claims were plainly wrong: the minutes of the October 30, 1991 shareholder meeting reveal that the "numerous other stockholders" actually received their stock in October, 1991; we also know that Parker exercised voting rights on behalf of Partel and STV Reading in October, 1991. And despite RBI's unequivocal representation to the Presiding Judge that "Parker only became a stockholder [in RBI] . . . after the company emerged from Chapter 11 in 1992", in its Opposition, RBI has now conceded that Partel obtained stock in RBI (from Parker) in October, 1991.

67. In acting on the question of the relevant license term, the Presiding Judge

rejected RBI's argument in part because, in arguing about the supposed significance of the March, 1992 "consummation" of the transfer (a consummation, it bears repeating, which had actually occurred six months earlier), RBI made "no mention . . . of a transfer of actual control to entirely different officers or directors." Memorandum Opinion and Order, FCC 99M-47, released August 9, 1999, at 5, ¶16. That is, the Presiding Judge believed what RBI had indicated in its various submissions to the Commission, *i.e.*, that there had been no change in officers and directors. As discussed above, there *had* been such changes - but RBI simply declined to so advise the Commission. <sup>16/</sup>

68. Similarly, the Presiding Judge appears to have believed RBI's claim that the Long Form application was necessitated by the garnishment proceeding. *Id.* at 5, ¶15. As discussed above, it appears that the garnishment proceeding was at most a convenient excuse.

69. And even more recently, in its Opposition to Adams's Motion, RBI flatly advised the Presiding Judge that:

Adams has not shown, nor can it show, that control over [RBI] ever shifted out of the hands of the company's stockholders or that there was a greater than 50% change in ownership of the company prior to the Commission's approval of the company's long-form transfer of control application.

RBI Opposition at 23. That, too, is demonstrably wrong, as shown above.

70. RBI's current-day obfuscation on this point can also be seen at Paragraph 23

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<sup>16/</sup> Adams is not here arguing that the Presiding Judge's ruling concerning the relevant license term was in any way incorrect. To the contrary, Adams's position was and remains that Station WTVE(TV) has been under the *de facto* control of Parker since 1989, and therefore the entire license term is relevant here. That appears to be the gist of the Presiding Judge's decision, and there is no reason at this point to disturb that decision.

In its current Motion, Adams is not suggesting that Parker ever relinquished control. To the contrary, Adams is arguing that the available evidence establishes that Parker began with *de facto* control of Station WTVE(TV) pursuant to the Partel Agreement and then, when that Agreement was terminated, Parker unilaterally grabbed *de jure* control through his own issuance of stock to Partel and others in October, 1991.

of its Opposition. Recall that RBI's counsel had informed the Commission, on October 22, 1991, that RBI had not theretofore consummated the transactions described in the August, 1991 316. But in its Opposition, RBI concedes, as it must, that Parker had in fact issued stock to Partel a week before the October 22, 1991 letter to the Commission was filed. How to explain the obvious inconsistency? RBI simply claims that the "issuance of stock to Partel, Inc. . . . represented the existed consummation arrangements" alluded to in the letter. RBI Opposition at 13, ¶23.

71. But again, we know from the Settlement Agreement (RBI Opposition, Exhibit Z) which was signed by, *inter alia*, Parker, that Share Certificates 1A through 50A were issued on October 15, 1991, constituting a complete consummation of a stock distribution which had not even been proposed at that point. We also know, from the October 30, 1991 minutes, that the shares so distributed were voted. And yet, RBI attempts to maintain the fiction that no transfer in fact occurred until March, 1992.<sup>17/</sup>

72. The Bureau claims that RBI's March, 1994 Ownership Report -- in which the directors elected in October, 1991 were first identified to the Commission -- somehow

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<sup>17/</sup> RBI also goes farther, claiming that Parker has never really been in control, as evidenced by his termination in August, 1997. *See* RBI Opposition at 27, ¶50. That claim is ironic. RBI asserts that the Partel Agreement was terminated or cancelled in August, 1997, but that everything was reinstated three months later. *Id.* What RBI neglects to fill the Presiding Judge in are what happened between August and November, 1997. Included as Attachment K hereto is a copy of a Complaint, filed by Linton and other RBI shareholders in the Court of Common Pleas in Berks County in January, 1998. The scenario depicted in the Complaint is stunningly similar to the events of 1991: the RBI board apparently decided to sever its connections with Parker and Partel, but Parker, not willing to take no for an answer, acquired (allegedly unlawfully) the right to vote certain stock through a proxy (does this sound familiar?), and thereby managed to get back in the door. The case was ultimately settled, so no judicial disposition of the allegations (which were, of course, contested by Parker) has issued. In any event, the fact that Parker has repeatedly been able to survive board decisions to sever relationships with him suggests that, contrary to RBI's claims, Parker has an immovable controlling role in RBI.



indicates that RBI felt it really had nothing to hide. The Bureau, however, fails to appreciate the effect of the long passage of time here, or the narrowness of RBI's ultimate "disclosure". As the Commission's Policy Statement on proxy fights makes clear, changes in directors over a period of years is generally not viewed as constituting a transfer of control. Thus, the listing of new directors in a 1994 Ownership Report for a licensee which had been in operation for years would not necessarily raise any bureaucratic eyebrows.

73. This is especially true in light of the narrowness of RBI's 1994 "disclosure". There RBI failed to mention that those new directors had been elected at a single meeting three years earlier, or that they had been elected by shareholders who had not been approved by the Commission, or that those directors had controlled the corporation continually since then. Since it didn't bother to get into those pesky details in its 1994 Ownership Report, RBI also did not have to explain why none of those matters had been disclosed at any earlier date, say, in its November, 1991 315 (or any of the amendments thereto), or in its April, 1992 Ownership Report, or in its April, 1993 Ownership Report.

74. The notion that RBI's 1994 disclosure somehow eliminates any possible motive here is baseless.

### **III. Conclusion**

75. While RBI has strenuously sought to withhold relevant information from Adams and the Court, there is already ample documentary evidence establishing what happened to RBI in late 1991. RBI itself has been forced to contradict itself in order to acknowledge the documentary evidence which has become available.<sup>18/</sup> The fact that RBI

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<sup>18/</sup> For example, compare these two statements, the first from RBI's "Reply to Preliminary Motion of Adams Communications Corporation" filed July 29, 1999 (pp. 3-4), the second from RBI's  
(continued...)

would have to contradict itself, though, is odd, since all of the documentary evidence unearthed thus far has come from RBI itself. If it had access to all this information from the start, why would it have made misstatements which only now are being corrected?

76. The answer is simple. Over and above the easily documentable unauthorized transfer of control in which it engaged, RBI has also engaged in a continuing pattern of serious misrepresentation or lack of candor for years, and it is not going to change its ways now. <sup>19/</sup>

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<sup>18/</sup>(...continued)

Opposition, p. 19, n. 11:


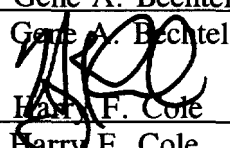
- (1) [Parker] had no direct or indirect ownership interest in [RBI] before the conclusion of the company's reorganization in 1992. . . . Parker only became a stockholder, with an equity interest (through Partel) of approximately 30%, after the company emerged from Chapter 11 in 1992.
- (2) . . . Micheal Parker had authority . . . to hold the [October 30, 1991] meeting: . . . as President of Partel, Inc., a shareholder that had been issued shares on October 15, 1991 which represented over 20% of the outstanding shares [of RBI]. . .

<sup>19/</sup> On this point, it may be noted that what Parker did in October, 1991 is completely consistent with the facts in *Mt. Baker Broadcasting Company, Inc.* There, the Parker-related permittee had told the Commission one thing (*i.e.*, that it had already constructed its station consistently with the terms of its construction permit) in order to avoid losing its permit. Upon inspection, however, it turned out that the permittee had *not* done any such thing. The permittee had simply told the Commission what it thought the Commission wanted to hear in order to get an easy grant. The Commission declined to tolerate such intentional deceit.

Here, Parker went ahead issued stock, effectively transferring control of RBI without Commission authorization. He then sought to cover that trail by seeking *post hoc* approval without mentioning that the transactions described in the November, 1991 315 were already faits accomplis. In other words, again, Parker did one thing but told the Commission something entirely different.

77. Based on all of the foregoing, Adams renews its motion for enlargement of the issues herein.

Respectfully submitted,

  
/s/ Gene A. Bechtel  
  
/s/ Harry F. Cole

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Counsel for Adams Communications  
Corporation

December 1, 1999

## **APPENDIX**

The accompanying timelines are intended to depict, graphically, the chronology of events surrounding Reading Broadcasting, Inc., particularly during the period January, 1991-April, 1992.

The information printed in green on the first chart reflects the information which RBI provided to the Commission during that period of time.

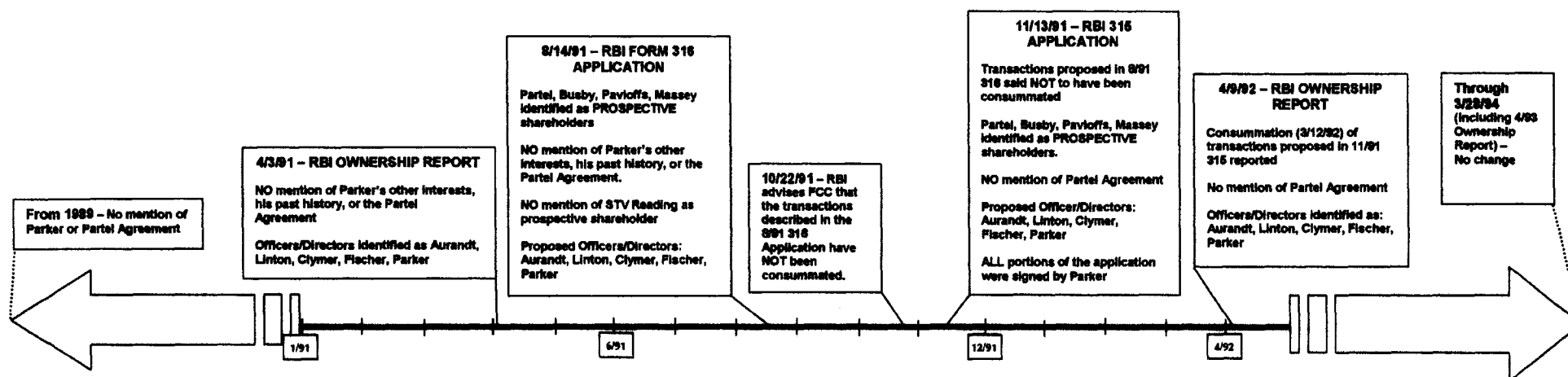
The information printed in red on the second chart reflects events which were taking place relative to RBI's ownership and control during that period.

The third chart synchronizes the green and red information from the first two charts, thus enabling easy chronological comparison of the information. Particularly noteworthy is the contrast between what the Commission was told between August-November, 1991, and what was actually happening within RBI during that period.

## WHAT RBI TOLD THE COMMISSION AUGUST, 1989-MAY, 1994

According to RBI's submissions to the Commission during the period 1989-1994:

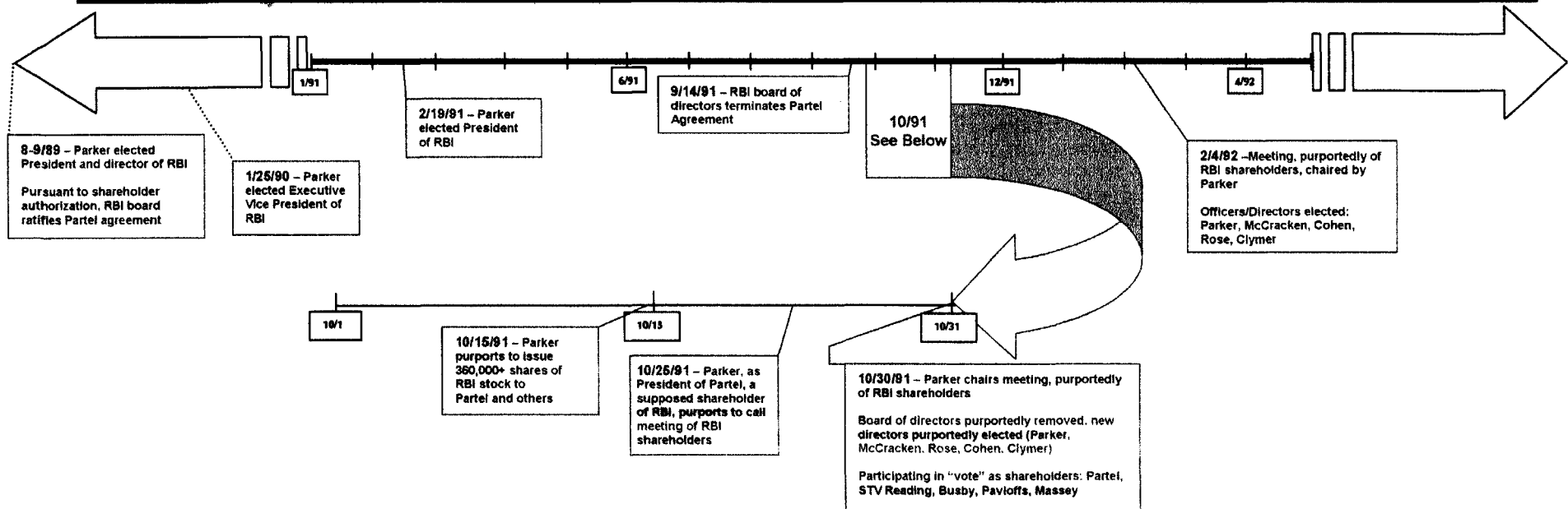
1. RBI's officers and directors were Aurandt, Linton, Fischer, Clymer and Parker beginning with the March 28, 1991 Ownership Report and consistently thereafter until the March, 1994 Ownership Report.
2. Partel, Busby, the Pavloffs and Massey (proposed as shareholders as early as August, 1991) and STV Reading, Inc. (which was never formally proposed as a shareholder as far as the Commission was advised) did not become shareholders until March, 1992.
3. None of RBI's submissions reported to the Commission the terms of, or provided to the Commission a copy of, the Partel Agreement, even though that agreement included provisions relating to future ownership of RBI and was, therefore, required to be disclosed to the Commission.
4. While Parker had been an RBI officer and director since 1989, the fact that he played any role in the company was not disclosed to the Commission at all for approximately two years. The initial disclosure of Parker's positions, in the context of an annual ownership report filed in April, 1991, made no mention of his other interests or past history of adjudicated misconduct (even though that history was reflected in Commission decisions less than one year before his arrival in RBI).



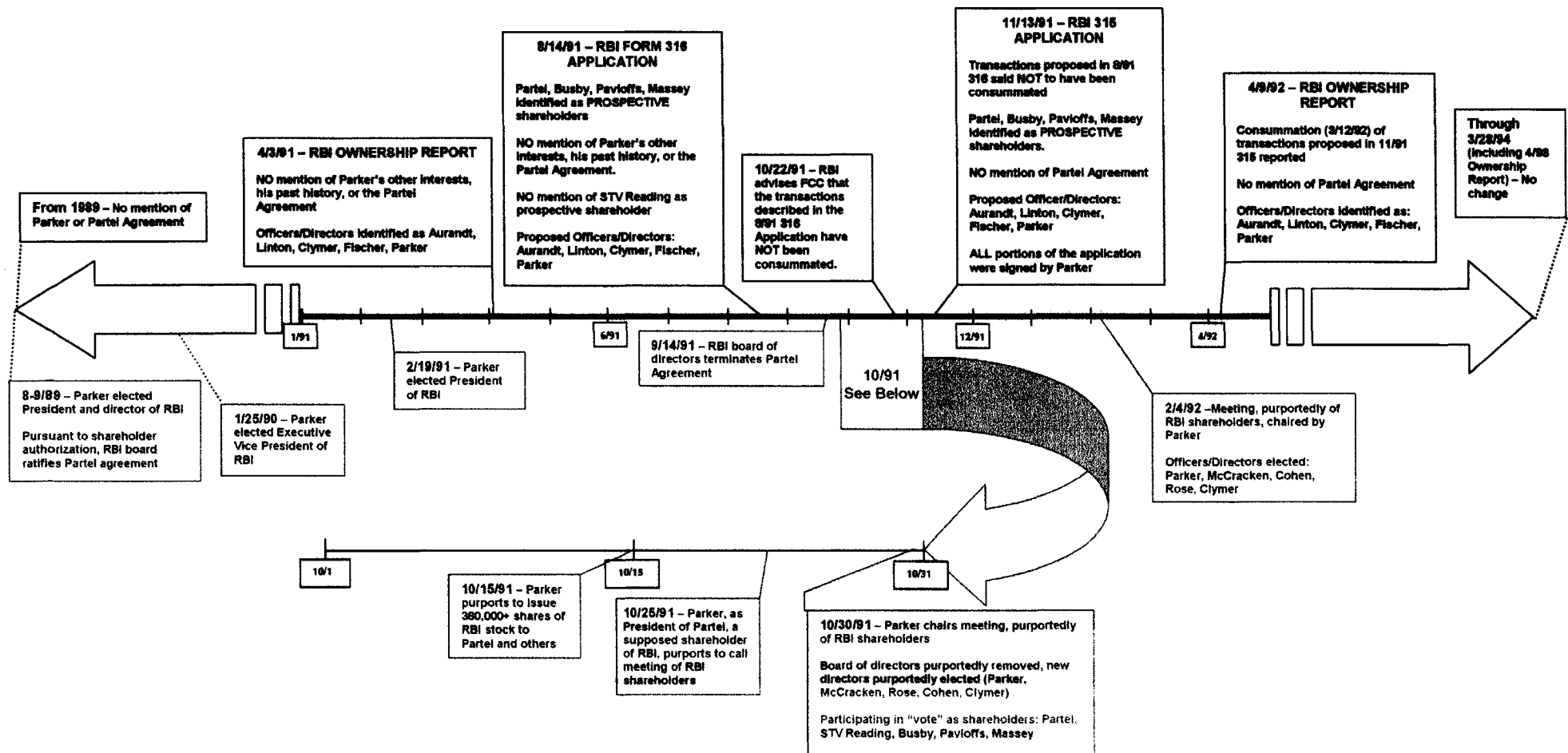
## CHANGES WHICH RBI EFFECTUATED AUGUST, 1989-MAY, 1994

According to RBI's corporate minutes during the period 1989-1994:

1. Parker served as an officer and director of RBI continually from August, 1989, with the apparent exception of the period September 14, 1991-October 30, 1991, during which RBI's records thus far made available to Adams suggest that Parker was neither an officer nor a director.
2. The Partel agreement was ratified by shareholders and directors by September, 1989, and was apparently implemented by RBI continually thereafter until September 14, 1991, at which time it was terminated by the board of directors. No direct record of that September 14, 1991 director's meeting has been produced by RBI.
3. In October, 1991, Parker issued shares of RBI to various parties, including Partel. Identifying himself as President of Partel, a shareholder of RBI, Parker then called a meeting of RBI shareholders at which he presided. Shareholders identified as present (either in person or by proxy) and voting at that meeting included Partel, STV Reading, Inc., Busby, the Pavloffs, and Massey.
4. At the October 30, 1991 meeting called by Parker, the existing board of directors was purportedly removed, and a new board, nominated by Parker, was purportedly elected in its place. The new directors were said to be Parker, McCracken, Cohen, Rose and Clymer.
5. At a February 4, 1992 shareholders meeting chaired by Parker, the "new" directors (Parker, McCracken, Cohen, Rose and Clymer) were said to be re-elected.



**CHRONOLOGICAL COMPARISON OF**  
**(a) WHAT RBI TOLD THE COMMISSION (i.e., ITEMS APPEARING ABOVE THE BOLD LINE) AND**  
**(b) THE CHANGES WHICH RBI ACTUALLY EFFECTUATED (i.e. ITEMS APPEARING BELOW THE BOLD LINE)**



ATTACHMENT A

Minutes of RBI Directors' Meeting  
May 8, 1990



5/8/90

MINUTES OF A SPECIAL MEETING  
OF THE BOARD OF DIRECTORS OF  
READING BROADCASTING, INC.

Pursuant to a written Waiver of Notice, a special meeting of the Board of Directors of Reading Broadcasting, Inc. was held on May 8, 1990 at 7:00 p.m. at the offices of the corporation located at 1729 North 11th Street, Reading, Berks County, Pennsylvania.

Present were:

Henry N. Aurandt, M.D.

Robert Clymer, M.D.

Edward Fischer, M.D.

Jack A. Linton

Micheal Parker

representing all of the Directors of the Corporation. Also present was Anthony D. Giannascoli, counsel for the Corporation.

The Directors signed a written Waiver of Notice of the holding of the meeting.

Upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the executed waiver be filed with the records of the Corporation and made a part of the minutes of this meeting.

The Chairman announced that the meeting was duly convened and that the meeting was ready to transact such business as may lawfully come before it.

Upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the reading of the minutes of the previous meeting be waived.

The following matters of business came before the Board:

1. Henry N. Aurandt, M.D. took the floor and raised to the Board the related issues of Micheal Parker continuing to run the operations at the station and the continued involvement of Partel, Inc. with Reading Broadcasting, Inc. and the station.

Henry N. Aurandt, M.D. then gave the Board a brief discussion of the history of the engagement of Partel, Inc. and Micheal Parker to run the operations of the station and the Management Services Agreement that was ultimately executed between the Corporation and Partel, Inc. Dr. Aurandt specifically mentioned the fact that part of the Management Services Agreement provided that officers of Partel, Inc. would not be compensated for their services to the Corporation.

Dr. Aurandt then began a discussion of the schedule of expenses for Partel, Inc. that had been submitted to the Board at the previous meeting, but had not been reviewed in detail due to time constraints. Dr. Aurandt pointed out that a total of \$17,791.00 in professional fees of Partel, Inc. had been charged to the Corporation from a period beginning June 1989 through March 1990. Dr. Aurandt noted, and it was acknowledged by the other Board members, that the listing of the professional fees relating to the services of Lynette Elertson and Linda Hendrickson first appeared on the schedule of expenses of Partel, Inc. on the list provided for the

April 3, 1990 Board of Directors meeting. He also noted that although schedules had been submitted to the Board reflecting Partel, Inc. expenses in the past, they never reflected these professional fees.

Dr. Aurandt then questioned Micheal Parker as to whether or not Lynette Elertson and Linda Hendrickson were officers of Partel, Inc. Micheal Parker responded that they were not officers of Partel, Inc.

Dr. Aurandt then pointed out that the Business Plan of the Corporation that had been prepared by Partel, Inc. and Micheal Parker, and had been submitted to Meridian Bank and other parties, represented and reflected that Lynette Elertson and Linda Hendrickson were both Vice-Presidents of Partel, Inc. Dr. Aurandt noted that this information is set forth on page 1-2 of the Business Plan.

Micheal Parker then responded saying that legally Lynette Elertson and Linda Hendrickson are not officers of Partel, Inc. He indicated that on an annual basis he files a statement with the State of Washington setting forth the fact that he's the only officer of the Corporation. He indicated that this is done in order to exclude either of them from any potential exposure to the liabilities of Partel, Inc.

A detailed and lengthy discussion then ensued on the general implications of the fact that Micheal Parker and Partel, Inc. have made the misrepresentation in the Business Plan of the Corporation and misrepresentations on other occasions. Dr. Clymer made the statement that what we are dealing with is not simply a misrepresentation, but in fact a

lie. And that as far as he was concerned there really was no other way to look at it. He indicated that the overall moral implications of this type of thing greatly concerned him.

A lengthy discussion then ensued relating to the Partel expenses from January 1990 to March 1990. Dr. Aurandt indicated that the schedule of Partel expenses delivered to the Board of Directors did not include any expenses related to the condominium that had been rented for the Partel, Inc. officers. Dr. Aurandt also stated that he recently received bills from Bell of Pennsylvania for phone installation in the condominium apartment that reflected that there were going to be two separate lines and that each line had the supplemental services of call waiting, conference calling and other services. The cost for the initial installation was over \$600.00.

At this point, Jack Linton inquired of Micheal Parker whether or not he had been observing the expense policy that the Board of Directors had adopted. Micheal Parker wanted the opportunity to review the written draft of the Board's policy, and left the room to obtain copies so that each Board member could review it.

At this point, Dr. Aurandt gave the example to the Board of the fact that the telephone bills of the Corporation have been close to or more than \$1,000.00 per month since Partel, Inc. took over the management of the Corporation. Dr. Aurandt then stated that he was never approached by Micheal Parker, Partel, Inc. or any of its employees where they stated that some of the calls on the monthly bills were

either for their personal benefit or for other business of Partel, Inc. He then stated that since these are business lines the local service is free, while the increase in the bills has to represent long distance telephone calls. Dr. Aurandt then indicated that he found it incredible that the drastic increase in the bills was not due to some amount, if not a large amount, of personal and business calls of the Partel, Inc. employees that did not relate to the business of the Corporation. It was at that point that the remaining members of the Board acknowledged that such telephone calls were not reimbursable expenses of Partel, Inc. related to the business of the Corporation.

Upon the return of Micheal Parker the issue was then again discussed in detail, and Dr. Clymer made the statement that he finds it incredible that none of the telephone bills of the Corporation were for unrelated Partel business or personal calls of Partel employees.

It was at this point in the meeting that Nelson H. Long, Certified Public Accountant with Beard & Company, Inc. arrived at the meeting to make a general presentation to the Board about the status of their engagement with the Corporation and the nature of the future services that would be provided by Beard & Company, Inc. Mr. Long indicated that the general ledger for 1989 was almost complete. He then engaged in some discussion regarding the accrual of interest on the Shareholder Loans. He also mentioned that there will be an accrual of interest on the bank's debt. There was some discussion held of the issue of whether or not it was

necessary to accrue interest on the Shareholder Loans, and he indicated that Meryl Dunkelberger, of his office, indicated that the Internal Revenue Service can come in on an audit <sup>-2</sup> impute the interest on the Shareholder Loans. It was agreed by the members of the Board and Mr. Long that Jack A. Linton would discuss this issue with Meryl Dunkelberger.

Mr. Long then indicated that the records for 1990 will begin to be put into a general ledger format next week. Mr. Long then stated that, as was indicated in the engagement letter from Beard & Company, Inc., as of June 30, 1990 Beard & Company will do a compiled balance sheet. One of the services that Mr. Long will provide to the Corporation is to assist us with the financial projections when a firm commitment and proposal is received from Legg-Mason. He also indicated that on a monthly basis Beard & Company, Inc. will help the Corporation prepare monthly financial statements that will be presented to the Board of Directors.

As Mr. Long was wrapping up his presentation, Dr. Aurandt stated that next Tuesday morning at 9:00 a.m. there was a meeting to be held at the office of Stevens & Lee between Meridian Bank and Legg-Mason. At this time all Board members were invited to the meeting and it was agreed that Anthony D. Giannascoli would attend the meeting as legal counsel to the Corporation.

Upon the termination of the presentation of Nelson Long, the Board continued the discussion relating to the Partel, Inc. expenses. This review took the form of an analysis of a memo delivered to the Board by Micheal Parker on behalf of

Partel, Inc. setting forth those things that Partel, Inc. has done that have benefited the Corporation.

Dr. Aurandt then began a discussion that addressed each of the items raised in the memo from Micheal Parker to the Board of Directors detailing the things he believes Partel, Inc. has done that have not benefited the Corporation. Dr. Aurandt stated the following things:

a. That the Corporation had a \$40,000.00 emergency fund at the time Partel, inc. took over management of the Corporation, and such fund is no longer available because it was spent on expenses incurred after Partel, Inc. took over management of the Corporation.

b. The Corporation had a \$20,000.00 credit (representing a deposit to be refunded) with Metropolitan Edison that also has been spent on expenses incurred after Partel, inc. took over management of the Corporation.

c. At the time that Partel, Inc. took over management of the Corporation, the Corporation was current to within 30 days for paying all bills after they had received bankruptcy court approval.

d. It was not the case at the time Partel, Inc. took over management of the Corporation that Meridian Bank was going to force the liquidation of the assets of the Corporation.

Dr. Aurandt's remaining statements dealt with the size of the staff of employees of the Corporation, the nature of production work done by the Corporation, the World Bible Society arrangement the Corporation is contemplating entering.

into, the fact that there had been discussions with Home Shopping Network more than two years ago about an increase in their rate after a Tower move, and other matters.

Dr. Aurandt then asked Micheal Parker why Rev. Scott was not on the air with the Corporation yet. There was some question why the legal expenses associated with the Federbush deal were so high. Dr. Aurandt noted that the debt of the Corporation after it gets out of bankruptcy will be more than one half of what the debt level currently is. He also stated that the cost of moving to the new Tower site is believed by the engineer of the Corporation to cost an estimated \$2,500,000.00, and not the \$1,900,000.00 that Micheal Parker and Partel, Inc. have indicated it will cost.

At this point Micheal Parker gave his responses to Dr. Aurandt and the rest of the Board. Micheal Parker stated that since it was represented to us in the Business Plan of the Corporation that Lynette Elertson and Linda Henderickson were Officers of Partel, Inc. and since the Management Services Agreement states that no compensation will be paid for the services of Officers of Partel, Inc., then these expenses will be removed from the schedule of Partel, Inc. expenses. Mr. Parker mentioned that the construction permit from the FCC was received today and, although it does not currently do so, it will reflect a grant date of May 4, 1990. Mr. Parker also said that the bank originally said that the Partel contract would not be approved because there was an auctioneer looking at the station. Jack Linton responded saying that there was no commitment from Meridian Bank to



sell the assets of the Corporation, but that the auctioneer was simply looking at the Corporation to establish a value of the station.

Mr. Parker then mentioned that there have been extensive negotiations with the Bank and that the Bank has now signed the Plan of Bankruptcy Reorganization, the Stipulation Agreement and approved the Management Services Agreement. Mr. Parker indicated that the only document left to be prepared is the disclosure statement. At that point it will require only the approval of the Shareholders and the Board of Directors for the entire transaction to become final, at least as regards <sup>to</sup> the Corporation. He indicated that Legg Mason has told him that they will have a letter to the Corporation detailing what they will be able to do with regard to future financing. This letter is to be in our possession by May 15, 1990. Mr. Parker then stated that the income projections for the January to March period are in line with the actual income of the Corporation.

At this point Dan Bendetti, <sup>Operator</sup> Production Engineer for the Station Corporation, gave a detailed discussion of how the production department has changed and grown with the implementation of a sales force. He described the contract with the Gordon Phillips agency, where a \$290.00 discount production job blossomed into a \$4,500.00 three commercial production job. When questioned about the expenses associated with doing these three commercials, he indicated that the overall job should result in a profit of somewhere between \$3,500.00 and \$4,000.00. He stated that it has been the sales force that

has increased the activity in the production department. He then reviewed an equipment list that set forth certain equipment owned by Partel, Inc. that the Corporation was in need of. *Station*

At this point, there ensued a detailed discussion about the projections prepared for the Corporation. Mike Parker stated that the projections were agreed to between himself and Nonie Fisher, Sales Manager for purposes of dealing with Meridian Bank. At this point Dr. Fisher made statements regarding Micheal Parker's projections. He stated that in discussions with Nonie Fisher, she represented that her basic projections were doubled.

Micheal Parker then summarized the situation as representing two problems. The first that expenses of Lynette Elertson and Linda Hendrickson were being charged to the Corporation as professional fees and other expenses that are being run through the Corporation. The second problem is the direction of the Corporation. *Station* Dr. Aurandt wants to get back into the local news, and Micheal Parker wants to continue the path of pursuing outside production work.

Dr. Clymer then made statements as follows: First he stated that Micheal Parker has done well with regard to getting the Corporation out of bankruptcy. Then Dr. Clymer stated that the management of the station can be divided into two areas: Performance and Integrity. On performance, Micheal Parker on the whole has been a plus. However, on integrity, Micheal Parker has not been good and in fact has been a failure. Dr. Clymer stated that the